Exhibit GC 2.0 CR

COMMONWEALTH EDISON COMPANY

BEFORE THE

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01-0423

PETITION FOR APPROVAL OF DELIVERY SERVICES TARIFFS
AND TARIFF REVISIONS
AND OF RESIDENTIAL DELIVERY SERVICES
IMPLEMENTATION PLAN

DIRECT TESTIMONY (Corrected)

SUBMITTED BY

DAVID J. EFFRON

ON BEHALF OF

PEOPLE OF THE STATE OF ILLINOIS
CITY OF CHICAGO
COOK COUNTY STATE'S ATTORNEY'S OFFICE
CITIZENS UTILITY BOARD

AUGUST 23, 2001

COMMONWEALTH EDISON COMPANY
DOCKET NO. 01-0423
TESTIMONY OF DAVID J. EFFRON
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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is David J. Effron. My business address is 386 Main Street, Ridgefield, Connecticut.

Q. What is your present occupation?

A. I am a consultant specializing in utility regulation.

Q. Please summarize your professional experience.

A. My professional career includes over twenty years as a regulatory consultant, two years as a supervisor of capital investment analysis and controls at Gulf & Western Industries and two years at Touche Ross & Co. as a consultant and staff auditor. I am a Certified Public Accountant, and I have served as an instructor in the business program at Western Connecticut State College.

Q. What experience do you have in the area of utility rate setting proceedings?

A. I have analyzed numerous electric, telephone, gas and water rate filings in different jurisdictions. Pursuant to those analyses, I have prepared testimony, assisted attorneys in rate case preparation, and provided assistance during settlement negotiations with various utility companies.

I have testified in approximately two hundred cases before regulatory commissions in Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Missouri, New Jersey, New York, North

Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia. In Illinois, I have testified before the Illinois Commerce Commission on several occasions over the years, including Docket Nos. 00-0361, 94-0065, and other dockets involving Commonwealth Edison Company, as well as other regulated utility companies.

Q. Please describe your other work experience.

A. As a supervisor of capital investment analysis at Gulf & Western Industries, I was responsible for reports and analyses concerning capital spending programs, including project analysis, formulation of capital budgets, establishment of accounting procedures, monitoring capital spending and administration of the leasing program. At Touche Ross & Co., I was an associate consultant in management services for one year and a staff auditor for one year.

Q. Have you earned any distinctions as a Certified Public Accountant?

A. Yes. I received the Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974 certified public accounting examination in New York State.

Q. Please describe your educational background.

A. I have a Bachelor's degree in Economics (with distinction) from Dartmouth College and a Masters of Business Administration Degree from Columbia University

II. INTRODUCTION AND SUMMARY OF TESTIMONY

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the People of the State of Illinois, the City of Chicago, the Cook County State's Attorney's Office and the Citizen Utilities Board.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the Illinois jurisdictional delivery services revenue requirement of Commonwealth Edison Company ("ComEd" or "the Company") based on a historical test year consisting of the twelve months ended December 31, 2000. In this testimony, I address the Company's rate base, operating expenses, and miscellaneous revenues for the 2000 test year, including pro forma adjustments to those inputs, as they relate to the determination of the Illinois jurisdictional delivery services revenue requirement. I also address the pro forma test year billing determinants over which the jurisdictional revenue requirement, or cost of service, should be spread in calculating the delivery services tariffs necessary to produce the required revenue. As I use the term "cost of service" in this testimony, I use it to be interchangeable with the term "revenue requirement," that is the total cost of providing delivery services.

Q. What have you reviewed in the preparation of this testimony?

A. I have reviewed the Company's testimony and supporting exhibits, responses to data requests, certain orders of the Illinois Commerce Commission ("the Commission"), and other documents and data. At the time of the preparation of this testimony, the

Company had not responded to all information requests. I reserve the right to modify or amend this testimony based on responses to those requests.

Q. Please state your conclusions.

A. The Company's net delivery services revenue requirement, based on the 2000 historic test year with pro forma adjustments is $1,437,874,000 (Schedule DJE-1). The billing determinants used to develop the residential delivery service rates should be adjusted as shown on my Schedule DJE-8.

Q. Mr. Effron, have you analyzed the increase in the delivery services revenue requirement being proposed in this case by ComEd from the delivery services revenue requirement approved by the Commission in Docket No. 99-0117?

A. Yes. My Schedule DJE-1A summarizes the causes of the increase in the revenue requirement from what the Commission approved in Docket No. 99-0117 to what ComEd is requesting in the present case. ComEd has calculated a net delivery services revenue requirement of $1,786,970,000 in this case, based on a 2000 test year. This represents an increase of approximately $575.5 million, or 47.5%, over the net delivery services revenue requirement of $1,211,471,000 approved by the Commission in Docket No. 99-0117, based on a 1997 test year. While the Company has provided a general description of factors that could tend to increase its revenue requirement, as far as I can tell ComEd has not provided any detailed explanation of what would cause an increase in revenue requirements of this magnitude over three years.

Q. Would you please address the individual line items in your analysis of the revenue requirement increase on Schedule DJE-1A?

A. The first line item is the increase in distribution operation and maintenance expense. This item has increased by $208.8 million, or approximately 100%, from the amount approved by the Commission in Docket No. 99-0117 to the pro forma test year expense in this case. In other words, based on the presentation by ComEd, the distribution operation and maintenance expense has approximately doubled from the amount determined by the Commission to be just and reasonable based on a test year only three years before the test year in this case. Yet without offering any particular explanation of the causes of such an increase, ComEd is, in effect, asking the Commission to approve a level of distribution operation and maintenance approximately twice the level just recently approved. In judging the reasonableness of any adjustments to normalize distribution operation and maintenance expenses, the Commission should keep in mind the level of expense incurred in the 2000 test compared to the level of expense found to be reasonable only a short time ago.

The next item is customer accounts expense. This item increased by $62.8 million from the expense level approved by the Commission in Docket No. 99-0117. This is an increase of 52.5% in three years since the last test year. Again, to my knowledge, ComEd has not offered a particular explanation of the factors that would cause an increase of this magnitude.

Q. Please explain the next item, rate of return.

A. This represents the increase in revenue requirement resulting from the increased rate of return being requested the Company. The main reason for the increase in the rate of return is that ComEd is requesting that the Commission increase its authorized return on equity from the 10.80% found appropriate by the Commission in Docket No. 99-0117 to 13.25% in this case. It should be noted that this increase in revenue requirements has nothing to do with greater expenses actually incurred by ComEd or added investments since Docket No. 99-0117, but rather with ComEd's desire to inflate its return on investment. ComEd is also proposing to increase the percentage of common equity in the capital structure from what the Commission found to be appropriate in Docket No. 99-0117. The increase in the common equity ratio also results in a higher requested rate of return, although the effect is not so great as the effect of the requested increase to the return on equity.

Q. What is the next item "Functionalization of General Plant and A&G Expense"?

A. In Docket No. 99-0117, the Commission rejected the method proposed by ComEd to functionalize general plant and administrative and general expense to delivery services and ordered that these costs be functionalized to delivery services using a labor allocator. In the present case, ComEd is proposing a method of functionalization that appears to be similar to what the Commission rejected in Docket No. 99-0117. By using its own method to functionalize general plant and administrative and general expense to delivery services, rather than using the labor allocator, ComEd increased the delivery services revenue requirement by approximately $105.7 million. Again, this increase to the revenue requirement has nothing to do with greater expenses actually incurred by ComEd or added investments since Docket No. 99-0117. Rather, this increase is the result of ComEd's rejection of the Commission's approved method of functionalizing certain costs to delivery services.

Q. What are the remaining items?

A. The next item is the increase in revenue requirements due to growth of plant in service, net of growth in accumulated depreciation, accumulated deferred income taxes, and operating reserves. As presented by the Company, the net growth in these components of rate base increases the distribution revenue requirements by $119.2 million. The last item is the net change in revenue requirements due to changes in all other costs, a net decrease of $12.9 million.

Q. What do you conclude from your analysis of the reasons for the increase in revenue requirements?

A. First, nearly $200 million of the requested increase has nothing to do with any change in costs actually incurred since Docket No. 99-0117. Rather, nearly $200 million of the increase in revenue requirements can be attributed to ComEd's seeking to increase its authorized rate of return and seeking to have the Commission change the method of functionalization approved in Docket No. 99-0117.

Second, certain of the costs incurred in the 2000 test year are out of proportion to the costs found by the Commission to be reasonable in Docket No. 99-0117. Given the magnitude of the increases in these expenses, compared not only to the level of expenses approved by the Commission in Docket No. 99-0117 but also to the actual level of expenses incurred in other recent years, the Commission should not routinely assume that because certain expenses were incurred in 2000, the expense amounts are representative of the amounts that ComEd can reasonably be expected to incur prospectively on an ongoing basis under normal conditions.

III. DELIVERY SERVICES REVENUE REQUIREMENT

A. SUMMARY

Q. How did you determine the delivery services revenue requirement?

A. My determination of the delivery services revenue requirement is summarized on my Schedule DJE-1. In a traditional rate case, the revenue deficiency or excess being produced by rates in effect would be calculated, and then rates would be adjusted to eliminate that revenue deficiency or excess. However, in this case, there is no revenue deficiency or excess being produced by rates in effect, because there are no delivery service rates for residential customers. Therefore, rather than calculating the revenue deficiency or excess, I have calculated the total delivery service revenue requirement, or cost of service, so that rates can then be designed to produce the required revenues.

On Schedule DJE-1, I have calculated the delivery service revenue requirement by summing the individual elements of the cost of service. Those elements are operation and maintenance expense, depreciation and amortization, taxes other than income taxes, income taxes (including amortization of investment tax credits), and return on rate base. Note that the return on rate base is an element of the cost of service, not the residual of revenues less expenses, in this presentation. Employing this method, there is no income deficiency or income excess; the return on rate base is calculated by multiplying the rate of return (based on the cost of capital) by the rate base, and the return on rate base is included in the cost of service, just as are operating expenses.

The Company position on my Schedule DJE-1 is taken from ComEd Exhibit 4, Appendix C, Schedule C-1. The elements of the jurisdictional delivery services revenue requirement on my schedule are the same as shown on ComEd Exhibit 4, Appendix C, Schedule C-1. However, the elements have been re-arranged to show how the revenue requirement is developed. The total revenue requirement is shown as the sum of operating expenses plus return on rate base. This total equals the "Total Operating Revenues" on ComEd Exhibit 4, Appendix C, Schedule C-1. The "Other Revenues" are a credit to the total jurisdictional delivery services revenue requirement, as these other revenues, such as facilities rentals and late payment charges, reduce the revenues that must be produced by the delivery service tariffs.

Q. What jurisdictional delivery services revenue requirement have you calculated?

A. I have calculated a jurisdictional delivery services revenue requirement of $1,437,874,000. This is $349,096,000 less than the jurisdictional delivery services revenue requirement of $1,786,970,000 calculated by the Company.

B. COST OF SERVICE

1. Operation and Maintenance Expense

Q. What costs are included in test year operation and maintenance expense?

A. Test year operation and maintenance expense contain distribution expenses including $432,000 of "black start" production costs, customer operations expense including customer accounts expenses and customer service and informational expenses, and administrative and general expenses.

Q. What level of pro forma operation and maintenance expense has the Company included in the jurisdictional delivery services revenue requirement?

A. ComEd has included $813,889,000 of pro forma operation and maintenance expense in the jurisdictional revenue requirement.

Q. Are you proposing any adjustments to the pro forma operation and maintenance expense included by the Company in the cost of service?

A. Yes. I address my proposed adjustments to the Company's pro forma test year operation and maintenance expenses in the following testimony.

a. Tree Trimming Expense

Q. What level of tree trimming expense did the Company incur during the test year?

A. ComEd incurred $46,871,000 of tree trimming expense in the 2000 test year.

Q. Did the Company propose an adjustment to "normalize" the actual 2000 test year tree trimming expense?

A. Yes. The Company adjusted the actual 2000 test year tree trimming expense to reflect a historical three-year average consisting of the years 1998, 1999 and 2000. The Company's proposed adjustment reduces actual test year tree trimming expense by $513,000.

Q. Is the Company's use of a three-year average appropriate?

A. No. In Docket No. 99-0117, ComEd represented to the Commission that it had implemented an accelerated tree trimming program that was under way in 1999 and would continue through 2000, with tree trimming costs expected to "return to normal levels in 2001" (Order, Page 31). Thus, in calculating its normalized level of tree trimming expense, ComEd has chosen a three-year period during which an accelerated tree trimming program was in effect for two of those three years, resulting in the Company's incurring greater than normal costs for tree trimming. The three-year period 1998 - 2000 does not form an appropriate basis for calculating a normalized level of tree trimming expense.

Q. What do you recommend?

A. The response to Staff Data Request BCJ-1.02 shows the tree trimming expense for the years 1993-2000. Referring to that response, it can be seen that the expenses for 1999 and 2000 are significantly higher than for any of the other years, confirming the abnormally high expense in those years due to the accelerated tree trimming program. Conversely, the expenses in the years before 1997 were lower than in the later years, which may have been what necessitated the accelerated program in 1999 and 2000. I recommend that for the purpose of calculating the normalized tree trimming expense, a six-year average consisting of the years 1995-2000 be used. This six-year period would include two years when the expense was above normal, 1999 and 2000, two years when the expense appears to have been below normal, 1995 and 1996, and two years in the middle when the expenses were also in the middle, 1997 and 1998. The average tree trimming expense in this six-year period was $41,655,000 (Schedule DJE-2.1). This is $4,703,000 less than the pro forma tree trimming expense included in the delivery services revenue requirement by the Company. Therefore, I recommend that the pro forma tree trimming expense included in the delivery services revenue requirement be reduced by $4,703,000.

b. Storm Damage Expense

Q. What level of storm damage expense did the Company incur during the test year?

A. ComEd incurred $29,905,000 of storm damage expense in the 2000 test year.

Q. Did the Company propose an adjustment to "normalize" the actual 2000 test year storm damage expense?

A. Yes. The Company adjusted the actual 2000 test year storm damage expense to reflect a historical three-year average consisting of the years 1998, 1999 and 2000. The Company's proposed adjustment reduces actual test year storm damage expense by $2,950,000.

Q. Is the Company's use of a three-year average appropriate?

A. No. The response to Staff Data Request GEG-2.05 shows the storm damage expense for the years 1996-2000. That response shows the $29.9 million incurred in 2000 for storm damage expense. The response also shows the amounts incurred for storm damage expense were $36.5 million and $16.5 million in 1998 and 1999, respectively. Thus, of the three years used by the Company in its normalization calculation, one is admittedly abnormal, 2000, and the expense in another year, 1998, was 22% greater than the expense in the admittedly abnormal year. Given this experience, three years is too small a sample to determine an appropriate normalized level of storm damage expense.

Q. What do you recommend?

A. In Docket No. 99-0117, the Commission used a five-year period to calculate the normalized storm damage expense. The Company has offered no reason in the present case why the five-year average employed by the Commission in Docket No. 99-0117 would be inappropriate. Therefore, I recommend using a five-year period to calculate the normalized storm damage expense. On Schedule DJE-2.2, I have calculated that the average storm damage expense for the years 1996-2000 was $21,184,000. This is $5,771,000 lower than the pro-forma storm damage expense included by the Company in the delivery services revenue requirement. Accordingly, I recommend that the pro forma ~~tree trimming~~ storm damage expense included in the delivery services revenue requirement be reduced by $5,771,000.

Q. If the Commission finds that a five-year average is appropriate for the normalization of storm damage expense, are other modifications necessary?

A. Yes. ComEd is proposing to accrue variable storm damage expense on its books of account based on the variable storm damage expense included in the delivery services revenue requirement in this case and to charge actual variable storm damage expense against that accrual. If the Commission adopts the Company's proposal to accrue variable storm damage expense and charge actual variable storm damage expenses against the accrued reserve, then the accrual for variable storm damage deemed to be included in the delivery services revenue requirement must be modified. I have calculated that based on the 2000 test year, 62.53% of the storm damage expense was variable expense (Schedule DJE-2.2). Thus, if the Commission adopts the five-year normalization of storm damage expense and also adopts the Company's proposal to accrue a reserve for the variable storm damage expense included in the delivery services revenue requirement, then the annual accrual for variable storm damage expense should be 62.53% of the normalized storm damage expense, or $13,247,000.

c. Accounts 580 and 590

Q. What are Accounts 580 and 590?

A. Account 580 is distribution Operation Supervision and Engineering expense. It includes labor and other costs incurred in the general supervision and direction of the operation of the distribution system. Account 590 is distribution Maintenance Supervision and Engineering expense. It includes labor and other costs incurred in the general supervision and direction of the maintenance of the distribution system.

Q. What was the expense charged to Account 580 in 2000?

A. ComEd charged $107,296,000 to Account 580 in 2000. This represents an increase of $67,433,000, or 169%, to the expenses charged to the same account in 1999.

Q. What was the expense charged to Account 590 in 2000?

A. ComEd charged $24,724,000 to Account 590 in 2000. This represents an increase of $15,886,000, or 180%, to the expenses charged to the same account in 1999.

Q. What are the reasons for the increases in the expenses charged to these accounts?

A. The Company was asked just that question in City of Chicago Data Requests 1.096 and 1.097. City of Chicago Data Request 1.096 asked the reasons for the increase in Account 580 from 1999 to 2000, and City of Chicago Data Request

1.097 asked the reasons for the increase in Account 590 (and a couple of other accounts) from 1999 to 2000.

ComEd responded that the increase in Account 580 was primarily due to a larger number of Emergency Restoration of Power ("ERP") expenses in 2000 than in 1999, Jefferson Street Substation project expenses in 2000, and implementation of the 2000 Summer Readiness Program (response to City of Chicago Data Request 1.096). In a remarkable coincidence, apparently the same factors caused the increase in Account 590 (along with two other distribution maintenance accounts) from 1999 to 2000 (response to City of Chicago Data Request 1.097).

Q. In your opinion, are the reasons cited by ComEd a plausible explanation for the magnitude of the increases in these accounts?

A. No, especially with regard to Account 580. For example, the first reason cited by ComEd for the increase in Account 580 was the number of ERP expenses. ERP expenses are charged to Account 593 (ComEd Exhibit 4, Appendix C, Schedule C-18), not Account 580. Although there would no doubt be supervision and direction expenses associated with ERP efforts, I find it hard to believe that any increase in such expenses would be a significant part of the $67.4 million increase in Account 580 from 1999 to 2000, if indeed any of the supervision and direction expenses associated with ERP efforts were charged to Account 580 rather than Account 593.

ComEd also cited the Jefferson Street Substation project expenses as a reason for the increase in Account 580. Based on ComEd Exhibit 4, Appendix C, Schedule C-11, these expenses were charged to Account 592. Again, while there might be supervision and direction expenses associated with this project, given that the expense for the project itself was only $3 million, it does not seem reasonable that such supervision and direction would have a material effect, if any, on Account 580.

The last reason cited by ComEd was the 2000 Summer Readiness Program. The Company did not assign a dollar amount to this program in its response, but, absent any support, it is difficult to believe that this program would be responsible for a major part of the increase in Account 580.

Q. Are you aware of any reasons for the increase in Account 580 from 1999 to 2000 that the Company neglected to mention in its response to City of Chicago Data Request 1.096?

A. Yes. The response to City of Chicago Data Request 1.102 indicates that incentive compensation charged to Account 580 increased from $3.4 million in 1999 to $42.9 million in 2000, an increase of $39.5 million. Although the increase in incentive compensation was responsible for over half the increase in Account 580 from 1999 to 2000, ComEd failed to include this item in its explanation of the reasons for the increase, unless the Company implicitly lumped this $39.5 million in with the "less important" factors referenced, but not itemized, in its response.

Q. Is the level of expense charged to Account 580 in 2000 abnormal?

A. It certainly appears to be. Unfortunately, ComEd elected not to respond to City of Chicago Data Request 1.009 in time for the preparation of this testimony, although the request was not burdensome and required no professional analysis. A response to this request would have allowed comparison of the expense charged in 2000 to the expense charged in other recent years besides 1999. However, in the absence of a response to City of Chicago Data Request 1.009, based on available information, the expenses charged to Account 580 in 2000 appear to be out of proportion to the expenses charge to that account in other years. For example, as stated above, the incentive compensation charged to Account 580 was $39.5 million less in 1999 than in 2000. No incentive compensation was charged to Account 580 in the years prior to 1999. This factor alone would cause the expense charged to Account 580 in 2000 to be out of line with the normal level of this expense in other recent years.

Q. What do you recommend?

A. ComEd has not adequately explained the increase in expenses charged to Accounts 580 and 590 from 1999 to 2000. Based on available information, the expenses charged to Accounts 580 and 590 in 2000 appear to be abnormal. On my Schedule DJE-2.3, I have calculated an adjustment to normalize the Account 580 and Account 590 expenses included in the delivery services revenue requirement.

Pending the receipt of further information from the Company, I used the actual expenses incurred in 1999 as the basis for normalizing the expenses incurred in 2000. I increased the actual expenses incurred in 1999 by 3% to allow for escalation (inflation and real growth) from 1999 to 2000. I then subtracted the actual expense incurred in 2000, as adjusted by the Company, from the escalated actual expense incurred in 1999. Based on this method, I calculated a reduction of $59,748,000 to Account 580 and a reduction of $15,594,000 to Account 590 to normalize the level of these expenses included in the delivery services revenue requirement. The total of the adjustment to normalize Accounts 580 and 590 is $75,342,000.

d. Merger Savings

Q. Was there a change in the corporate ownership structure of ComEd in 2000?

A. Yes. In 2000, Unicom Corporation, the corporate parent of ComEd, and PECO Energy Company merged to form Exelon Corporation. The merger closed on October 20, 2000.

Q. Is it expected that there will be economies resulting in expense savings as a result of the merger?

A. Apparently so. In City of Chicago Data Request 1.095, ComEd was asked to provide any studies or analyses identifying potential merger savings. Once again, ComEd elected not to respond to City of Chicago Data Request 1.095 in time for the preparation of this testimony. However, the Exelon Corporation SEC Form 8-

K dated March 16, 2001 states that approximately 2,900 positions have been identified to be eliminated as a result of the Merger Transaction. The Form 8-K also states that to the extent that there are involuntary terminations as the result of the merger integration and reengineering, such terminations will be "primarily" in the areas of corporate support, generation, and energy delivery.

Q. Are such merger savings reflected in the 2000 test year?

A. It is unlikely that the test year includes the effect of any significant merger savings. First, the savings would not be achieved instantaneously, but rather would be implemented over time. Second, the merger closed only a little over two months before the end of the year. Thus, to the extent Exelon did begin the merger integration and reengineering during 2000, the effect of any savings would not likely have a material impact on test year expenses.

Q. Should test year expenses be adjusted to reflect merger savings?

A. Yes. The merger should result in a reduction to expenses incurred prospectively. As the purpose of this proceeding is to determine prospective delivery service rates, actual test year expenses should be adjusted to reflect merger savings that ComEd can reasonably be expected to achieve.

Q. Have you formed a basis for quantifying expected merger savings based on the positions that have been identified for elimination as a result of the merger?

A. Yes. As noted above, the Exelon Form 8-K stated that approximately 2,900 positions have been identified to be eliminated as a result of the merger. Based on the 2000 Exelon Annual Report to Shareholders, there were 33,000 total Exelon employees in 2000. Thus, approximately 8.8% of the total Exelon positions have been identified for elimination. When Exelon states that the terminations will be "primarily" in the areas of corporate support, generation, and energy delivery, I interpret that to mean that the percentage of employees terminated in those areas will be greater than the percentage of employees terminated in the corporation as a whole. If 8.8% of the total Exelon positions have been identified for elimination, then I believe that it is reasonable to conclude that at least 10% of the positions in the areas of corporate support, generation, and energy delivery will be eliminated, based on the statements in the Exelon 8-K.

Q. Have you calculated an adjustment to test year expenses to reflect merger savings based on the elimination of these positions?

A. Yes. I have calculated an adjustment to reflect merger savings on my Schedule DJE-2.4. According to ComEd Exhibit 4, Appendix C, Schedule 8.3, the Company had 7,205 delivery service employees in 2000. Eliminating 10% of these positions would result in a reduction of 721 delivery services employees. The total adjusted payroll and payroll related costs charged to operation and maintenance expense per employee in 2000 was $53,256. Thus, the elimination of 721 employees results in a reduction of $38,371,000 to annual payroll and payroll related costs.

Q. Have you also recognized merger related costs incurred to achieve these savings?

A. Yes. Exelon estimated that $431,000,000 of total employee costs would be incurred in the elimination of 2,900 positions. I have allocated 24.84% of those costs to ComEd delivery services based on the elimination of 721 positions out of a total of 2,900, and I have amortized those costs over ten years, resulting in an annual expense of $10,708,000.

After making an additional small adjustment to avoid double counting the effect of the administrative and general expense refunctionalization, the net adjustment to reflect merger savings is $27,487,000. Accordingly, I recommend that 2000 test year delivery service expenses be reduced by $27,487,000 to reflect annual savings to be achieved due to employee reductions as the result of merger integration and reengineering.

e. Bill Payment Center

Q. Has the Company indicated that it will experience savings prospectively from the closing of bill payment centers?

A. Yes. In the response to Staff Data Request BCS-1.26, ComEd stated that it expected to save $765,000 from the closing of bill payment centers scheduled to occur July 27,2001. As these savings were not experienced in the test year, operation and maintenance expense should be reduced by $765,000 to reflect the savings that will be experienced prospectively. ComEd stated that the costs to be saved are charged primarily to customer accounts expense. Therefore, I have reduced the customer accounts expense included in the delivery services revenue requirement by $765,000.

f. Uncollectible Accounts Expense

Q. How have you calculated the uncollectible accounts expense to be included in the delivery services revenue requirement?

A. My calculation of uncollectible accounts expense is shown on Schedule DJE-2.5. My method of attributing uncollectible accounts expense to delivery services is based on the delivery services revenue requirement exclusive of uncollectible accounts. I have used the uncollectible accounts ratio of 0.71% shown on ComEd Exhibit 4, Appendix C, Schedule A.2.1 in this calculation. In the response to City of Chicago Data Request 1.027, the Company stated that 0.71% represents the estimated impact on revenue requirement for an incremental increase in revenues, recognizing that a portion of the increased revenues will become uncollectible. It is the average uncollectible accounts ratio over a four-year period and is used to estimate the impact on revenue requirements.

On Schedule DJE-2.5, I first calculated the total delivery services revenue requirement exclusive of uncollectible accounts expense. I then grossed up this revenue requirement to reflect the inclusion of uncollectible accounts expense equal to 0.71% of the revenue produced by delivery service tariffs. The difference between the delivery services revenue requirement exclusive of uncollectible accounts expense and the grossed up revenue requirement is the uncollectible accounts expense that is included in the delivery services revenue requirement. This method reflects the four-year average uncollectible accounts ratio used by the Company on its Schedule A-2.1 and recognizes that a change in the delivery services revenue requirement will result in a change to uncollectible accounts expense.

g. Functionalization of Administrative and General Expense

Q. How did the Company functionalize administrative and general expenses to delivery services?

A. As described in ComEd Exhibit 4, Appendix B, the Company assigned administrative and general expenses directly to delivery services where possible. Where direct assignment was not possible, the Company used general allocators to attribute administrative and general expenses to the particular business services.

Q. Is this consistent with the method of allocating administrative and general expenses approved by the Commission in Docket No. 99-0117?

A. No. The Commission found that a labor allocator should be used to assign administrative and general expenses to the delivery service function in Docket No. 99-0117.

Q. Have you calculated the effect of functionalizing administrative and general expenses to delivery services based on a labor allocator?

A. Yes. My calculation of the labor allocator is shown on Schedule DJE-8. I have applied this labor allocator to the total administrative and general expenses on Schedule DJE-2.6. Use of the labor allocator results in the reduction to administrative and general expenses allocated to delivery indicated on Schedule DJE-2.6.

h. Incentive Compensation Charged to A&G Expense

Q. What level of incentive compensation has the Company included in test year administrative and general expense?

A. The actual incentive compensation charged to A&G expense in 2000 was $51,351,000. The Company eliminated $4,857,000 of this incentive compensation that was related to the merger. After this elimination, $46,494,000 of incentive compensation is included in total test year A&G expense before functionalization to delivery services.

Q. How does this compare to incentive compensation charged to A&G in recent years?

A. On Schedule DJE-2.7, I show the incentive compensation charged to A&G in each year for 1996 – 2000. Although the adjusted incentive compensation in 2000 is not the highest of any of the years, it is higher than the average for the five-year period. It can also be seen that the incentive compensation charged to

A&G has fluctuated from a low of $22.2 million in 1997 to a high of $52.1 million in 1998.

Q. Should the incentive compensation charged to A&G be modified?

A. Yes. This expense has fluctuated in recent years. Compared to the average expense incurred in the years 1996 - 2000, the expense incurred in 2000 is abnormally high, even after the Company's adjustment to remove the merger related incentive compensation. The incentive compensation should be adjusted to reflect a normal level of expense.

Q. What do you recommend?

A. I recommend that incentive compensation charged to A&G expense be normalized based on the actual average level of expense incurred over the years 1996-2000. As can be seen on Schedule DJE-2.7, the five-year average of incentive compensation charged to A&G expense is $7,517,000 less than the 2000 expense as adjusted by the Company. This normalization adjustment reduces A&G expenses included in the delivery services revenue requirement by $2,698,000, after functionalization.

i. Environmental Remediation Expense

Q. What level of environmental remediation costs has the Company included in test year administrative and general expense?

A. The actual environmental remediation expense charged to A&G expense in 2000 was $26,056,000. The Company eliminated $16,850,000 of this expense, which represents an accrual for expected future expenditures, as opposed to costs actually incurred in 2000. After this elimination, $9,206,000 of environmental remediation costs is included in total test year A&G expenses.

Q. How does this compare to environmental remediation costs incurred in recent years?

A. On Schedule DJE-2.8, I show the environmental remediation costs incurred in each year for 1996 – 2000. The costs incurred in 2000 are the highest costs of any of these years and exceed the costs incurred in the next highest year by more than half. It can also be seen that the environmental remediation costs have fluctuated from a low of $2.0 million to a high of $9.2 million over the five-year period.

Q. Should the environmental remediation costs included in the delivery services revenue requirement be modified?

A. Yes. This expense has fluctuated in recent years. Compared to the average expense incurred in the years 1996 - 2000, the expense incurred in 2000 is abnormally high, even after the Company's adjustment to remove the accrual for future expenditures. The environmental remediation costs should be adjusted to reflect a normal level of expense.

Q. What do you recommend?

A. I recommend that the environmental remediation costs be normalized based on the actual average level of expense incurred over the years 1996-2000. As can be seen on Schedule DJE-2.8, the five-year average of environmental remediation costs is $4,232,000 less than the 2000 expense as adjusted by the Company. Environmental remediation expense should be reduced by this amount to reflect the five-year average of costs incurred. This normalization adjustment reduces the environmental remediation costs included in the delivery services revenue requirement by $1,519,000, after functionalization.

2. Depreciation and Amortization

Q. Have you reflected any adjustments to depreciation expense in your calculation of the delivery service revenue requirement?

A. Yes. My proposed adjustments to depreciation expense are shown on Schedule DJE-3. These adjustments are derivative of my proposed adjustments to plant in service. The adjustment to depreciation expense on distribution plant is based on my adjustment to distribution plant, and the adjustment to depreciation expense on general plant is based on my adjustment to general plant.

3. Taxes Other Than Income Taxes

Q. Are you proposing any adjustments to the taxes other than income taxes included by the Company in the delivery services revenue requirement?

A. Yes. I am proposing adjustments to state use tax on purchases, payroll taxes, and real estate taxes. My proposed adjustments are shown on Schedule DJE-4.

Q. What is your adjustment to state use tax on purchases?

A. The Company has included $1,401,000 of state use tax on purchases in the 2000 test year jurisdictional taxes other than income taxes. Reference to ComEd Exhibit 4, Appendix C, Schedule C-13, Page 2 indicates that the state use tax on purchases was zero in 1999 and negligible in 1998. The response to Staff Data Request BCJ–1.11 states that the amount booked in 2000 covers a period consisting of 39 months and includes interest of $1,366,000 (total company). First, the interest should be eliminated from the expense included in the cost of service, as customers should not be required to compensate ComEd for interest assessed on its late payment of this tax. Second, the amount booked in 2000 should be spread over 39 months, or 3.25 years, so that the amount included in the cost of service is representative of the annual expense. After making these adjustments, the state use tax on purchases included in the jurisdictional cost of service is $275,000, which is $1,126,000 less than the amount included by the Company.

Q. What is your proposed adjustment to payroll taxes?

A. Certain of my adjustments to operation and maintenance expense entail adjustments to the labor expense included in the cost of service. As payroll tax expense is based on labor expense, I have reflected an adjustment to payroll taxes on my Schedule DJE-4 based on my adjustment to labor expense.

Q. What is your proposed adjustment to real estate taxes?

A. The real estate tax expense included in the delivery services revenue requirement by the Company consists of an accrual of 2000 real estate taxes to be paid in 2001, a true-up of the accrual booked in 1999, and refunds received in 2000. The accrual of 2000 real estate taxes is an estimate of taxes that will actually be paid in 2001. This accrual in 2000 will be trued up in 2001 based on actual payments.

The true-up booked in 2000 was an addition of $1,367,000 to the accrual booked in 1999. In other words, the Company underestimated the accrual for 1999 and had to book an extra $1,367,000 in 2000 to true up the accrual booked in 1999. By adding the true-up booked in 1999 to the 2000 accrual, the Company is, in effect, assuming that the true-up in 2001 will be the same as it was in 2000. However, the response to City of Chicago Data Request 5.243 indicates that the 2000 true-up was unusual, in that for each year 1995-1999 the Company had overestimated the accrual for real estate taxes in the prior year and the true-up entry in each of those years was a reduction to real estate tax expense.

Because the true-up booked in 2000 was abnormal, I recommend that the true-up entry included in the revenue requirement be normalized based on the five year average for the years 1996-2000. The average true-up entry applicable to delivery service facilities booked in those years was $ (1,266,000). This is $2,633,000 less than the true-up booked by the Company in 2000. Therefore, the real estate tax expense included in the delivery services revenue requirement should be reduced by $2,633,000.

4. Income Taxes

Q. How have you calculated income tax expense to be included in the delivery services revenue requirement?

A. My calculation of income tax expense is shown on my Schedule DJE-5. I have used what is commonly referred to as the return method of calculating income taxes. The income taxes are based on the net income component of the total return requirement. This method is used in certain other jurisdictions to calculate the income tax expense included in the cost of service.

Q. Please explain the components of your income tax calculation.

A. I began with the total return on rate base, which is calculated by multiplying the rate of return by the rate base. This is the net operating income that the Company must earn, after income taxes, to produce the required return on rate base. I then subtracted the interest component of the return on rate base, as the interest included in the total return is not subject to income taxes. The result is the net income, again after income taxes, included in the total revenue requirement.

Q. What is the next item, "Investment Tax Credit Amortization?"

A. This represents the amortization of previously deferred investment tax credits. The amortization is a credit to income tax expense, and it is not itself subject to income taxes. Therefore, the amortization of investment tax credits should be eliminated from the calculation of the taxable income base.

Q. What is "Effect of Flow-through Items?"

A. This represents the effect of differences between book income and taxable income for which deferred taxes are not provided. For example, the book depreciation expense might include the depreciation of capitalized AFUDC or book depreciation in excess of tax depreciation for which deferred taxes had not been provided in earlier years. Both of these items would tend to make the taxable income larger than book income and would have to be added to the taxable income base in calculating income taxes. Based on information provided by the Company, the net effect of these "flow-through" items is to increase the taxable income base by $2,051,000. Any book-tax difference not included in the flow-through items is normalized. What this means is that for the purpose of calculating total income tax expense (current and deferred), an entry for deferred tax expense, either positive or negative, is implicitly recognized on any book-tax difference (other than flow through items), and it is as if there is, in effect, no book-tax difference.

Q. What is the "Base for Taxable Income?"

A. This is the net income, after adjusting for the described flow through book-tax differences, which must remain after income taxes. Dividing the "Base for Taxable Income" by the complement of the combined income tax rate produces the taxable income. The purpose of this calculation is to recognize that the income tax expense itself is not deductible when calculating income taxes.

Q. How did you calculate the income tax expense?

A. First, I calculated the state income tax expense by applying the state income tax rate to the taxable income, which results in state income tax expense of $18,953,000. I then subtracted the state income tax expense from the total taxable income and applied the federal income tax rate to this difference, which results in federal income tax expense of $87,059,000. Thus, the total income tax expense, consisting of state and federal income taxes, is $106,012,000.

Q. Have you prepared a proof of this income tax expense?

A. Yes. My Schedule DJE-5A is a calculation of income tax expense employing the conventional income tax calculation method.

I began on this schedule with the total revenues, including the revenues produced by the delivery service tariffs plus other miscellaneous revenues. I then subtracted operating expenses other than income taxes (operation and maintenance, depreciation and amortization, and taxes other than income taxes) from total revenue to calculate the taxable operating income. I next subtracted the "synchronized" interest, based on the weighted cost of debt times rate base, to calculate the taxable income before flow-through items. Adding the effect of flow-through items, the result is the same taxable income as on Schedule DJE-5.

From that point, the calculation of state and federal income tax expense is the same as on Schedule DJE-5, and the result is the same.

5. Return on Rate Base

Q. How did you determine the return component of the cost of service?

A. I calculated the return component by multiplying the rate base shown on my Schedule DJE-6 by the rate of return shown on my Schedule DJE-7. For the purpose of calculating the rate of return, I have used a capital structure consisting of 60% debt and 40% common equity, which approximates the capital structure adopted by the Commission in Docket No. 99-0117. I have also used the cost of debt of 7.14% proposed by the Company in this case and the return on common equity of 10.80% adopted by the Commission in Docket No. 99-0117. I address the development of rate base in the following section.

B. RATE BASE

Q. How did you develop the test year rate base?

A. My determination of test year rate base is shown on my Schedule DJE-6. I have begun with the test year jurisdictional rate base presented by the Company on ComEd Exhibit 4, Appendix C, Schedule B-1. In the following testimony, I propose adjustments to certain of the components of rate base presented by the Company.

1. Plant in Service

a. Distribution Plant

Q. Did ComEd adjust rate base for post-test year additions to plant in service?

A. Yes. The Company adjusted the distribution plant in service for certain additions expected to take place through the end of the second quarter of 2001. These adjustments are quantified on ComEd Exhibit 4, Appendix C, Schedules B-2.1 and B-2.2

Q. Are you proposing any adjustments to the additions to test year distribution plant in service proposed by ComEd?

A. Yes. Although allowance of any post test year adjustments to rate base arguably distorts the determination of revenue requirements based on the selected 2000 test year, it is my understanding that the Commission did allow adjustments for post test year additions in Docket No. 99-0117. Therefore, I will not propose a blanket disallowance of all post-test year plant additions. However, I am proposing to modify the Company's adjustment for "Projects Reasonably Expected to be Placed In-service in Second Quarter of 2001".

The Company estimated that the expenditures on "Projects Reasonably Expected to be Placed In-service in Second Quarter of 2001" that meet its criteria for an adjustment to rate base would total $126,592,000. The response to Staff Data Request GEG-1.01 indicates that the actual total expenditures on the projects that went into service were $115,554,000. The Company should not be allowed to earn a return on investments that it has not made. In fact, in Docket No. 99-

0117, the Commission cited Section DST 1.60 as providing "actual expenditures" as the first method of support for pro forma adjustments.

The actual expenditures on the distribution plant projects were $11,038,000 less than the level of expenditures forecasted by the Company, as shown on my Schedule DJE-6.1. Therefore, if the Commission authorizes the adjustment to distribution plant for "Projects Reasonably Expected to be Placed In-service in Second Quarter of 2001", I recommend that the adjustment to the delivery services rate base be reduced by $11,038,000 to reflect the actual expenditures on the projects, rather than the Company's estimates.

Q. Is it your understanding that ComEd made significant additions to distribution plant in recent years to make up for under-investment in distribution facilities in earlier years?

A. Yes. I understand that ComEd has been making improvements and additions to distribution facilities on an accelerated basis over the last few years as a result of problems encountered because of earlier under-investment in such facilities. The total delivery services gross plant has grown from the $7.265 billion allowed by the Commission based on a 1997 test year in Docket No. 99-0117 to a proposed $8.789 billion in this case (after eliminating the effect of the difference in the functionalization of general plant and adjusting post-test year additions to actual), an increase of approximately $1.524 billion. The majority of this increase is the result of additions to distribution plant in service.

Q. Would this accelerated investment to make up for earlier under-investment affect the determination of delivery services revenue requirement in this case as compared to what the revenue requirement would be if there had been no earlier under-investment for which the Company had to compensate on an accelerated basis?

A. Yes. The under-investment in earlier years followed by an accelerated catch-up affects the determination of revenue requirements in several ways. First, because the investment was made in later years, as opposed to earlier years, inflation in the intervening years would cause the original cost of the plant to be higher. For example, based on the cost trends indicated in ComEd Exhibit 13.2, distribution plant installed in July 2000 would cost approximately 8.4% more than distribution plant installed in July 1995 as a result of escalation in construction and equipment costs during that time period. In addition, if plant had been installed earlier, as opposed to later, the balance of accumulated depreciation would be greater as of the end of the test year. Again, as an example, if distribution plant installed in 2000 had instead been installed in 1995, the accumulated depreciation on the plant would have been greater by 12% - 18% of the original cost of the plant, depending on the particular depreciation rate on the plant installed.

Further, because the plant improvements and additions were implemented on an expedited basis, it is likely that ComEd would incur additional costs such as increased overtime pay for Company employees and premiums to vendors and contractors for expedited delivery of equipment and installation of facilities. Again, these factors would tend to increase the cost of the plant.

Q. Do these factors have anything in common?

A. Yes. Each of these factors tends to increase the delivery services revenue requirement at this time. The increase shows up in a higher return requirement because of the higher net cost of plant included in rate base and in higher depreciation expense on the increased gross cost of plant.

Q. Are you proposing an adjustment to the distribution plant in service included in the delivery services rate base to reflect what the cost of the plant would be if it had originally been placed in service when it should have been?

A. No. The schedule for filing testimony in this case did not allow the necessary time to develop such an adjustment.

Q. What then do you recommend?

A. The Commission should initiate an investigation of the extent to which ComEd incurred additional costs as a result of the acceleration of plant improvements and additions in recent years to make up for under-investment in earlier years and the extent to which delivery services revenue requirements were affected by the deferrals of the distribution plant improvements and additions. Such an investigation should be complete well before the end of the residential rate freeze period. The rates for delivery services determined in this case should then be adjusted as necessary based on the results of the investigation.

b. General Plant

Q. How did the Company functionalize general plant to delivery services?

A. As described in ComEd Exhibit 4, Appendix A, the Company assigned the general plant directly to delivery services where possible. Where direct assignment was not possible, the Company used general allocators to attribute general plant to the particular business services.

Q. Is this consistent with the method of allocating general plant approved by the Commission in Docket No. 99-0117?

A. No. The Commission found that a labor allocator should be used to assign general plant to the delivery service function in Docket No. 99-0117.

Q. Have you calculated the effect of functionalizing the general plant to delivery services based on a labor allocator?

A. Yes. My calculation of the labor allocator is shown on Schedule DJE-8. I have applied this labor allocator to the total general plant on Schedule DJE-6.1. Use of the labor allocator results in the reduction to general plant indicated on Schedule DJE-6.1 and the reduction to the general plant depreciation reserve shown on Schedule DJE-6.2. I have also adjusted the accumulated deferred taxes and operating reserves allocated to delivery services on Schedules DJE-6.3 and DJE-

6.4, respectively, to reflect the labor allocator. The adjustment to depreciation expense related to the reallocation of general plant is shown on Schedule DJE-3.

2. Accumulated Depreciation

Q. Did the Company adjust the accumulated depreciation reserve in association with its proposed adjustments to distribution plant in service?

A. Yes. The Company adjusted the accumulated depreciation reserve by one year's worth of depreciation on its proposed plant additions.

Q. Is this adjustment to the accumulated depreciation reserve adequate?

A. No. This adjustment ignores the growth in depreciation reserve that will be taking place as the post-test year additions to plant go into service. That is, as the plant in service grows as a result of additions taking place, the depreciation reserve will also be growing and offsetting the incremental revenue requirement associated with the growth in plant. Recognition of post-test year growth in plant can distort the determination of test year revenue requirements. (For example, there is no recognition of concomitant growth in billing determinants after the test year.) Recognition of post-test year growth in plant without recognition of the simultaneous post-test year growth in the depreciation reserve would only serve to exacerbate any such distortion. If the rate base is going to be adjusted to recognize growth in plant taking place after the end of the test year, the adjustment should recognize the growth in net plant in service, not the growth in gross plant in service.

Q. What do you recommend?

A. The Company did not propose to adjust rate base for all additions to distribution plant in service. However, the post-test year plant additions, after the adjustment to reflect actual expenditures (addressed above), do represent approximately 67% of the growth in distribution plant taking place from December 31, 2000 to June 30, 2001 (Schedule DJE-6.2). To be consistent, the same proportion of growth in the depreciation reserve on distribution plant from December 31, 2000 to June 30, 2001 should be taken into account in the determination of rate base.

The depreciation reserve on distribution plant grew by $144,732,000 from December 31, 2000 to June 30, 2001 (Schedule DJE-6.2). Applying 66.97% to the growth in depreciation reserve (the percentage of growth in distribution plant from December 31, 2000 to June 30, 2001 accounted for by post-test year additions in rate base), the appropriate adjustment to the depreciation reserve is $96,920,000. This is $90,226,000 greater than the adjustment to depreciation reserve proposed by the Company. Accordingly, I recommend that the pro forma delivery services rate base be reduced by $90,226,000 to recognize growth in depreciation reserve that is consistent with post-test growth in distribution plant included in rate base.

3. Accumulated Deferred Income Taxes

Q. Are you proposing any adjustments to the accumulated deferred income taxes ("ADIT") deducted from plant in service in the determination of rate base?

A. Yes. I am proposing to eliminate certain deferred tax debit balances from the ADIT deducted from plant in service. I am also proposing adjustments related to my functionalization of general plant and operating reserves.

Q. Has the Company included all components of deferred taxes in the ADIT deducted from plant in service?

A. No. In cases where the deferred taxes relate to expenses not included in revenue requirements or to assets not included in the delivery services rate base, the Company has not included those components of deferred taxes in the ADIT deducted from plant in service. For example, ComEd has $1,256,000 of ADIT on its books related to "Chicago Equity Fund Partnership Tax Loss." None of this balance is allocated to delivery services. In response to City of Chicago Data Request 1.036, the Company stated "The related investment in this partnership is not included in jurisdictional rate base and, therefore, the deferred tax is not assigned to delivery services." Fair enough. Similarly, in the same response, ComEd stated that it did not allocate any of the $8,535,000 of the ADIT related to the "Chicago Arbitration Settlement" to delivery services because "the related $3.4 million amortization expense in the test year is not allocated to DST. Thus, the deferred tax treatment is consistent with the expense treatment." Again, a reasonable explanation. However, if this logic applies to deferred tax credit balances, the same logic should apply to deferred tax debit balances. That is, if a particular reserve account, deferred credit account, or accrued liability is not recognized in the calculation of rate base, then any related deferred tax debit balance should be excluded from the net ADIT balance recognized in the calculation of rate base.

On Schedule DJE-6.3, I have identified certain deferred tax debit balances that are related to reserves, deferred credits, or accrued liabilities that are not recognized in the calculation of rate base. The Company has included these deferred tax debit balances in the net ADIT deducted from rate base, but each of these items should be removed.

Q. Please describe each of these items and explain why they should be removed from the ADIT that go into the determination of the delivery services rate base.

A. The first two items are deferred taxes related to accruals for the Write-down of Manufactured Gas Plant and Cleanup Costs of Superfund Sites. The accruals for these future expected expenses are included in Account 228.4 – Miscellaneous Operating Reserves on the Company's books of account. However, ComEd explicitly eliminated the reserves related to the Write-down of Manufactured Gas Plant and the Cleanup Costs of Superfund Sites from the reserves deducted from the delivery services rate base (ComEd Workpaper WPB-1.6, Page 3). As the reserves related to the Write-down of Manufactured Gas Plant and Cleanup Costs of Superfund Sites are not included in the operating reserves deducted from rate base, the deferred tax debit balances related to those reserves should be eliminated from the ADIT balance that goes into the rate base calculation.

The next item, Interest on Projected Tax Deficiencies, also represents a deferred tax debit balance related to an accrued liability that is not deducted from rate base. As the accrued liability is not deducted from rate base, the deferred tax debit balances related to that accrual should be eliminated from the ADIT balance that goes into the rate base calculation. Continuing on, the deferred tax debit balance related to Merger Costs applies to costs not included in the delivery services revenue requirement and should also be eliminated from the ADIT balance that goes into the rate base calculation.

The last item, deferred taxes on Accrued Vacation, relates to the accrual for vacation pay on the Company's books of account in excess of the vacation pay currently deductible for income tax purposes. Again, the accrual for vacation pay in excess of actual expenditures is not deducted from the Company's rate base. Therefore, the deferred tax debit balance related to Accrued Vacation should be eliminated from the ADIT balance that goes into the rate base calculation.

Q. What is your adjustment to ADIT related to the functionalization of general plant?

A. Certain of the balances of ADIT were allocated to delivery services based on the allocation of net plant. To the extent that the allocation of plant in service changes, the allocation of these items of ADIT will change also. Therefore, I adjusted those balances of ADIT allocated to delivery services based on net plant. This adjustment has the effect of reducing the net ADIT allocated to delivery services by $61,925,000 (Schedule DJE-6.3a).

Q. What is your adjustment to ADIT related to operating reserves?

A. I address my adjustment to operating reserves below. The deferred taxes related to operating reserves follow the allocation of the operating reserves themselves. Therefore my adjustment to operating reserves results in an adjustment to the deferred tax balances related to those operating reserves. As shown on Schedule DJE-6.4, the adjustment to deferred taxes is $40,230,000.

4. Operating Reserves

Q. Are you proposing any adjustments to the operating reserves deducted from plant in service in the determination of rate base?

A. Yes. I have functionalized administrative and general expense to delivery services using a labor allocator. The allocation of the components of the operating reserves follows the allocation of administrative and general expenses related to the operating reserves. Consistent with the use of a labor allocator for administrative and general expense, I have adjusted the allocation of the operating reserves to reflect the use of that labor allocator. This adjustment is shown on Schedule DJE-6.4.

I. PRO FORMA TEST YEAR BILLING DETERMINANTS

Q. In calculating the return on rate base included in the delivery services revenue requirement, has the Company applied its requested rate of return to an end of year rate base?

A. Yes. The Company's rate base, before pro forma adjustments to recognize post-test year plant additions, includes plant balances, as well as other elements, as of December 31, 2000, the end of the test year.

Q. Has the Company annualized residential billing determinants to reflect the end of test year number of customers?

A. No. The residential billing determinants reflect customer charges based on the actual residential customers as of each month during the 2000 test year and the energy sales to residential customers over the 2000 test year, normalized for weather.

Q. Should the billing determinants be annualized to reflect the end of test year number of customers?

A. Yes. The end of year plant in service included in rate base is the plant necessary to serve the end of year number of customers. If the plant investment necessary to serve the end of year number of customers is included in the determination of delivery service revenue requirements, then to be consistent, in developing the delivery service tariffs, the billing determinants produced by the end of year customers should be used.

Q. Have you calculated the annualized billing determinants based on the end of test year number of customers?

A. Yes. On my Schedule DJE-9, I have calculated the annualized monthly customer charges based on the residential customers as of the end of the test year and the annualized energy sales to the end of year number of customers. I recommend that the Commission use these billing determinants in designing the tariffs for residential delivery services.

Q. Does this conclude your direct testimony?

A. Yes, subject to the necessity to make any modifications or amendments based on responses to information requests received too late to consider in the preparation of this testimony.

Schedule DJE-1

COMMONWEALTH EDISON COMPANY
JURISDICTIONAL REVENUE REQUIREMENT - DELIVERY SERVICES
2000 TEST YEAR
($000)

	Company Position	Adjustmts.	Proposed Position
Distribution O&M Expense	$ 418,573	$ (112,801)	$ 305,772
Customer Operations Expense	194,653	(6,856)	187,797
Administrative and General Expense	200,663	(59,974)	140,689
Total Operation and Maintenance	813,889	(179,631)	634,258
Depreciation & Amortization	299,127	(14,259)	284,868
Taxes Other Than Income Taxes	154,826	(6,949)	147,877
Income Tax Expense	169,320	(63,308)	106,012
Amortization of ITC's	(1,744)		(1,744)
Return on Rate Base	406,351	(84,948)	321,403
Total Revenue Requirement	1,841,769	(349,096)	1,492,673
Other Revenue - Credit	54,799	-	54,799
Net Delivery Services Revenue Requirement	$ 1,786,970	$ (349,096)	$ 1,437,874

Sources:
Company Position - ComEd Exh. 4, Appendix C, Schedule C-1
Adjustments - Schedules DJE-2 - DJE-7

Exhibit GC 2.1

Schedule DJE-1A

COMMONWEALTH EDISON COMPANY
ANALYSIS OF REVENUE REQUIREMENT INCREASE
($Million)

Delivery Services Revenue Requirement - Docket No. 99-0117	1,211.5
Distribution O&M	208.8
Customer Accounts Expense	62.8
Rate of Return	91.9
Functionalization of General Plant and A&G Expense	105.7
Plant Additions net of ADIT and Operating Reserves	119.2
Other - Net	(12.9)
Delivery Services Revenue Requirement Proposed by ComEd	1,787.0

Sources: ICC Amendatory Order, Docket No. 99-0117
ComEd Schedules B-1, C-1
DJE-1A Workpapers

Schedule DJE-2

COMMONWEALTH EDISON COMPANY
OPERATION AND MAINTENANCE EXPENSE
($000)

Adjustments to Distribution Operation and Maintenance:		
Tree Trimming Expense	(1)	(4,703)
Storm Damage Expense	(1)	(5,771)
Accounts 580, 590	(1)	(75,342)
Merger Savings	(1)	(27,487)
Total Adjustments to Distribution Operation and Maintenance		(113,304)
Retail Allocation Factor		99.56%
Retail Adjustment		(112,801)
Adjustments to Customer Operations Expense:		
Savings from Closing of Bill Payment Centers	(2)	(765)
Sub-Total Adjustments to Customer Operations		(765)
Uncollectible Accounts Expense	(1)	(6,091)
Total Adjustments to Customer Operations Expense		(6,856)
Adjustments to Administrative and General Expense:		
Functionalization of A&G Expense	(1)	(55,924)
Incentive Compensation	(1)	(2,698)
Environmental Remediation	(1)	(1,519)
Total Adjustments to Administrative and General Expense:		(60,142)
Retail Allocation Factor		99.72%
Retail Adjustment		(59,974)

Sources:

(1) Schedules DJE-2.1 through DJE-2.8

(2) BCS-1.26

Schedule DJE-3

COMMONWEALTH EDISON COMPANY
DEPRECIATION & AMORTIZATION EXPENSE
($000)

Adjustment to Pro Forma Distribution Plant	(1)	(10,999)
Composite Depreciation Rate	(2)	2.55%
Adjustment to Pro Forma Depreciation on Distribution Plant		(280)
Depreciation on General Plant	(3)	41,499
Functionalization to Delivery Services	(4)	35.89%
Depreciation on General Plant Functionalized to Delivery Services		14,896
Company Depreciation on General Plant to Delivery Services	(5)	28,915
Adjustment to Company Position		(14,019)
Retail Allocation Factor		99.71%
Retail Adjustment		(13,979)
Total Adjustment to Depreciation Expense		(14,259)

Sources:

(1) Schedule DJE-6.1

(2) ComEd Schedule C-2.2 3224/126592

(3) ComEd Workpaper WPC-9.1

(4) Schedule DJE-8

(5) ComEd Schedule C-9

Schedule DJE-4

COMMONWEALTH EDISON COMPANY
TAXES OTHER THAN INCOME TAXES
($000)

Use Tax Expense in 2000	(1)	3,784
Interest Included in 2000 Expense	(2)	1,366
Use Tax Expense in 2000, Net of Interest		2,418
Years Covered by Payment in 2000	(2)	3.25
Annual Net Use Tax Expense		744
Allocable to Delivery Services	(3)	37.02%
Annual Jurisdictional Use Tax		275
Company Jurisdictional Use Tax	(1)	1,401
Adjustment to Jurisdictional Use Tax		(1,126)
Adjustment to Payroll Taxes:		
Incentive Compensation - Distribution	(4)	(37,323)
Incentive Compensation - A&G	(5)	(2,698)
Total Payroll Adjustment		(40,021)
Payroll Tax Rate	(6)	8.00%
Adjustment to Payroll Taxes		(3,201)
Adjustment to Real Estate Taxes for True-ups	(7)	(2,633)
Total Adjustment to Taxes Other Than Income Taxes		(6,959)
Retail Allocation Factor		99.85%
Retail Adjustment		(6,949)

Sources:

(1) ComEd Schedule C-13
(2) BCJ-1.11
(3) ComEd Schedule C-13 1401/3784
(4) BCS-1.14, Net Incentive Comp assumed to be eliminated from A/C 580
(5) Schedule DJE-2
(6) ComEd Schedule C-2.7 845/(11410-845)
(7) BCJ-2.02 and COC-5.243
(-2078-1611-1229-0.25*25981+2028)/5*1367/2027-1367

Schedule DJE-5

COMMONWEALTH EDISON COMPANY
INCOME TAX EXPENSE
($000)

Total Return Requirement	(1)	8.60%	3,735,505	321,403
Interest Component	(1)	4.28%	3,735,505	160,029
Net Income				161,374
Adjustments:				
Investment Tax Credit Amortization	(2)			(1,744)
Effect of Flow-through Items	(3)			2,051
Base for Taxable Income				161,681
Gross-up Factor				60.40%
Taxable Income				267,692
State Income Taxes			7.08%	18,953
Federal Taxable Income				248,740
Federal Income Taxes			35.00%	87,059
Total Income Tax Expense				$ 106,012

State Income Tax Rate	7.08%
Federal Income Tax Rate	35.00%
Combined Income Tax Rate	39.60%
Complement	60.40%

Sources:

(1) Schedules DJE-6, DJE-7

(2) ComEd Schedule C-1

(3) ComEd Schedules C-3, C-3.2, Page 2; Effect of Flow Through Items ((136122-73271)*TaxRate-24078)/TaxRate

Schedule DJE-5A

COMMONWEALTH EDISON COMPANY
PROOF OF INCOME TAXES
($000)

Total Revenue	(1)		1,492,673
Operating Expenses Other Than Income Taxes	(1)		1,067,003
Taxable Operating Income			425,670
Interest Expense	(2)		160,029
Taxable Income before Flow-Through Items			265,641
Adjustment for Flow-Through Items	(2)		2,051
Taxable Income			267,692
State Income Tax Expense		7.08%	18,953
Federal Taxable Income			248,740
Federal Income Tax Expense		35.00%	87,059
Total Income Tax Expense			106,012

Sources:

(1) Schedule DJE-1

(2) Schedule DJE-5

Schedule DJE-6

COMMONWEALTH EDISON COMPANY
RETURN ON RATE BASE
($000)

	Company Position	Adjustmts.	Proposed Position
Distribution Plant in Service	$ 8,370,615	(10,999)	$ 8,359,616
General Plant in Service	850,351	(420,857)	429,494
Total Plant in Service	9,220,966	(431,856)	8,789,110
Accum. Deprec. - Distribution Plant	(3,821,634)	(89,906)	(3,911,540)
Accum. Deprec. - General Plant	(224,207)	114,563	(109,644)
Total Accumulated Depreciation	(4,045,841)	24,657	(4,021,184)
Net Plant in Service	5,175,125	(407,198)	4,767,927
Materials and Supplies	36,479		36,479
Construction Work in Progress	20,813		20,813
Regulatory Assets	6,161		6,161
Accumulated Deferred Income Taxes	(765,927)	(42,809)	(808,736)
Customer Deposits	(17,856)		(17,856)
Customer Advances	(325)		(325)
Other Deferred Credits	(9,820)		(9,820)
Pre-1971 Investment Tax Credits	(254)		(254)
Operating Reserves	(360,469)	101,585	(258,884)
Total Rate Base	$ 4,083,927	$ (348,422)	$ 3,735,505
Rate of Return	9.95%		8.60%
Return on Rate Base	$ 406,351	$ (84,948)	$ 321,403

Sources:
Company Position - ComEd Exh. 4, Appendix C, Schedule B-1
Adjustments - Schedules DJE-6.1 - DJE-6.4
Rate of Return - Schedule DJE-7

Schedule DJE-6.1

COMMONWEALTH EDISON COMPANY
PLANT IN SERVICE
($000)

Adjustment to Distribution Plant in Service:

Actual Projects Placed in Service - 2nd Quarter 2001	(1)	115,554
Forecasted Projects Placed in Service - 2nd Quarter 2001	(2)	126,592
Adjustment to Plant in Service		(11,038)
Retail Allocation Factor		99.64%
Retail Adjustment		(10,999)

Adjustment to General and Intangible Plant in Service:

Total General and Intangible Plant in Service, Excluding "C-Team"	(3)	1,200,011
Jurisdictional Allocation Factor	(4)	35.89%
Jurisdictional General and Intangible Plant in Service, Excluding "C-Team"		430,734
Adjusted Juris. General and Intangible Plant, per Company	(5)	852,805
Adjustment to Juris. General and Intangible Plant in Service		(422,071)
Retail Allocation Factor		99.71%
Retail Adjustment		(420,857)

Sources:

(1) GEG-1.01
(2) ComEd Schedule B-2.2
(3) ComEd Workpaper WPB-1.1
(4) Schedule DJE-8
(5) ComEd Schedule B-1

Schedule DJE-6.2

COMMONWEALTH EDISON COMPANY
ACCUMULATED RESERVE FOR DEPRECIATION
($000)

Post Test Year Adjustment to Distribution Plant, per Company	(1)	260,215
Modification to Company Adjustment to Distribution Plant	(2)	(11,038)
Modified Adjustment to Depreciation Plant		249,177
Total Increase in Distribution Plant 12/31/00 - 6/30/01	(3)	372,098
Adjustment as Percentage of Net Additions to Distribution Plant		66.97%
Depreciation Reserve - Distribution Plant 6/03/01	(4)	3,970,214
Depreciation Reserve - Distribution Plant 12/31/00	(1)	3,825,482
Increase in Depreciation Reserve		144,732
Adjustment to Depreciation Reserve	(5)	96,920
Company Adjustment to Depreciation Reserve	(1)	6,694
Adjustment to Company Position		90,226
Retail Allocation Factor		99.64%
Retail Adjustment		89,906
Adjustment to General and Intangible Depreciation Reserve:		
Total General and Intangible Deprec. Reserve, Excluding "C-Team"	(6)	306,474
Jurisdictional Allocation Factor	(7)	35.89%
Jurisdictional General and Intangible Deprec. Reserve, Excl. "C-Team"		110,006
Adjusted Juris. General and Intangible Plant in Service, per Company	(1)	224,900
Adjustment to Juris. General and Intangible Plant in Service		(114,894)
Retail Allocation Factor		99.71%
Retail Adjustment		(114,563)

Sources:

(1)	ComEd Schedule B-1	
(2)	Schedule DJE-6.1	
(3)	ComEd Schedule B-1 and COC-1.078	8512323-8140225
(4)	COC-1.079	
(5)	% Increase in Plant X Increase in Depreciation Reserve	
(6)	ComEd Workpaper WPB-1.1	
(7)	Schedule DJE-8	

Schedule DJE-6.3

COMMONWEALTH EDISON COMPANY
ADJUSTMENTS TO ACCUMULATED DEFERRED INCOME TAXES
($000)

Writedown of Manufactured Gas Plants	(1)	(43,533)
Cleanup Costs of Superfund Sites	(1)	(2,413)
Interest on Projected Tax Deficiencies	(1)	(1,502)
Merger Costs	(1)	(1,130)
Accrued Vacation	(1)	(16,159)
Total Adjustment to Jurisdictional ADIT Debit Balances		(64,737)
Retail Allocation Factor		99.64%
Retail Adjustment		(64,504)
Adjustment to Functionalization of General Plant	(2)	61,925
Adjustment to ADIT on Operating Reserves	(3)	(40,230)
Net Adjustment to ADIT		(42,809)

Sources:

(1) ComEd Schedule B-6

(2) Schedule DJE-6.3a

(3) Schedule DJE-6.4

Schedule DJE-6.3a

COMMONWEALTH EDISON COMPANY
ACCUMULATED DEFERRED INCOME TAXES
ALLOCATED ON NET PLANT
($000)

Interest Capitalized	(1)	36,563
Liberalized Depreciation	(1)	(904,936)
Repair Allowance	(1)	(165,518)
Benefits Capitalized	(1)	(45,887)
Allowance for Borrowed Funds Used During Construction	(1)	(26,838)
Redemption of First Mortgage Bonds	(1)	(10,791)
Net Removal Costs	(1)	116,483
Total ADIT Allocated Based on Net Plant		(1,000,924)
Net Plant Allocator, per Company	(2)	93.52%
Base for Allocation		(1,070,320)
Net Plant Allocator, as Adjusted	(2)	87.71%
Jurisdictional ADIT, as Adjusted		(938,821)
Adjustment to ADIT	(3)	62,103
Retail Allocator		99.71%
Retail Adjustment		61,925

Sources:
(1) ComEd Schedule B-6
(2) Schedule DJE-8
(3) Total ADIT Allocated Based on Net Plant - Jurisdictional ADIT, as Adjusted

Schedule DJE-6.4

COMMONWEALTH EDISON COMPANY
OPERATING RESERVES
($000)

Accumulated Provision for Injuries and Damages		(1)	48,397
Accumulated Provision for Pensions and Benefits		(1)	674,348
Accumulated Miscellaneous Operating Reserves		(1)	720
Total Operating Reserves			723,465
Jurisdictional Allocation Factor		(2)	35.89%
Jurisdictional Operating Reserves			259,682
Jurisdictional Operating Reserves, per Company		(3)	361,580
Adjustment to Juris. General and Intangible Plant in Service			101,898
Retail Allocation Factor			99.69%
Retail Adjustment			101,585
Adjustment to ADIT on Operating Reserves	39.60%		(40,230)

Sources:

(1) ComEd Workpaper WPB-1.6, Page 3

(2) Schedule DJE-8

(3) ComEd Schedule B-1

Exhibit GC 2.1

Schedule DJE-7

COMMONWEALTH EDISON COMPANY
RATE OF RETURN
($000)

Company Position

	Percent	Cost Rate	Weighted Cost
Long Term Debt	53.99%	7.14%	3.86%
Common Equity	46.01%	13.25%	6.10%
Total	100.00%		9.95%

Proposed Position

	Percent	Cost Rate	Weighted Cost
Long Term Debt	60.00%	7.14%	4.28%
Common Equity	40.00%	10.80%	4.32%
Total	100.00%		8.60%

Sources:

Company Position: ComEd Schedule Exhibit FIN-1, Schedule 11.1

Proposed Position: ROE from Docket 99-0117 Order
Capital Structure Approximates Docket 99-0117 Order

Schedule DJE-8

COMMONWEALTH EDISON COMPANY
ALLOCATION FACTORS
($000)

	References		Total	Juris.
Labor Allocator				
Production	C-8		448,246	-
Transmission	C-8, GEG-1.04		24,900	11
Distribution	C-8, GEG-1.04		189,664	189,664
Customer Operations	C-8		94,428	85,618
Sales	GEG-1.04		9,720	-
Total			766,958	275,293
Jurisdictional Labor Allocator				35.89%
Net Plant Allocator				
Per Company				
Gross Plant	A-1, B-1	9,415,568	9,003,439	
Depreciation Reserve	A-1, B-1	(4,121,509)	(4,052,628)	
Net Plant		5,294,059	4,950,811	93.52%
Adjusted for General Plant Refunctionalization				
Gross Plant	B-1, DJE-6.1	9,415,568	8,581,368	
Depreciation Reserve	B-1, DJE-6.2	(4,121,509)	(3,937,734)	
Net Plant		5,294,059	4,643,633	87.71%
Retail Allocators				
Distribution O&M	C-1	420,005	418,141	99.56%
Customer Operations	C-1	194,653	194,653	100.00%
A&G Expense	C-1	201,224	200,663	99.72%
Taxes Other Than Income	C-1	155,051	154,826	99.85%
Distribution Plant	B-1	8,400,440	8,370,615	99.64%
General Plant	B-1	852,805	850,351	99.71%
ADIT	B-1	768,695	765,927	99.64%
Operating Reserves	B-1	361,580	360,469	99.69%

Schedule DJE-9

COMMONWEALTH EDISON COMPANY
ANNUALIZED BILLING DETERMINANTS
($000)

	ComEd Position	Adjustments	Proposed Position
Single Family Without Space Heat			
Year End Customers			2,072,702
Months			12
Customer Bills	24,692,283	180,141	24,872,424
Annual kWh Sales per Customer			8,789
Year End Customers			2,072,702
Annual kWh Sales	18,085,441,483	131,941,203	18,217,382,686
Multi Family Without Space Heat			
Year End Customers			939,928
Months			12
Customer Bills	11,210,889	68,247	11,279,136
Annual kWh Sales per Customer			4,022
Year End Customers			939,928
Annual kWh Sales	3,757,622,321	22,874,765	3,780,497,086
Single Family with Space Heat			
Year End Customers			46,712
Months			12
Customer Bills	557,791	2,753	560,544
Annual kWh Sales per Customer			22,644
Year End Customers			46,712
Annual kWh Sales	1,052,574,530	5,195,024	1,057,769,554
Multi Family with Space Heat			
Year End Customers			151,600
Months			12
Customer Bills	1,810,676	8,524	1,819,200
Annual kWh Sales per Customer			12,802
Year End Customers			151,600
Annual kWh Sales	1,931,763,743	9,094,037	1,940,857,780

Sources: ComEd Exhibit 13.3 and Response to IIEC 1.13

Schedule DJE-2.1

COMMONWEALTH EDISON COMPANY
ADJUSTMENT TO TREE TRIMMING EXPENSE
($000)

Year	Tree Trim Expense
1995	29,900
1996	32,300
1997	36,900
1998	39,136
1999	53,067
2000	46,871
Average for Year 1995 - 2000	41,655
ComEd Expense	46,358
Adjustment to Pro Forma Distribution O&M	(4,703)

Sources: BCJ-1.02, ComEd Schedule C-2.11

Schedule DJE-2.2

COMMONWEALTH EDISON COMPANY
ADJUSTMENT TO STORM DAMAGE EXPENSE
($000)

Year		Storm Damage Expense
1996	(1)	8,900
1997	(1)	14,100
1998	(1)	36,500
1999	(1)	16,514
2000	(1)	29,905
Average for Years 1996 - 2000		21,184
ComEd Expense	(2)	26,955
Adjustment to Pro Forma Distribution O&M		(5,771)
Variable Storm Damage Expense - 2000	(3)	18,700
Total Storm Damage Expense - 2000	(1)	29,905
Variable Expense as a Percentage of Total Expense		62.53%
Accrual for Variable Storm Damage	(4)	13,247

Sources:
(1) GEG-2.05
(2) ComEd Schedule C-2.12
(3) COC-1.081
(4) Variable as a % of Total X Normalized Expense

Schedule DJE-2.3

COMMONWEALTH EDISON COMPANY
ABNORMAL EXPENSE ADJUSTMENT
($000)

		A/C 580 Operation S&E	A/C 580 Maint. S&E	Total
Expense Incurred 1999	(1)	39,863	8,838	48,701
Escalation to 2000	(2)	3.00%	3.00%	
Expense Incurred 1999 Escalated to 2000		41,059	9,103	50,162
Actual Expense Incurred in 2000	(1)	107,296	24,724	132,020
Expense Eliminations by ComEd	(3)	(6,489)	(27)	(6,516)
Expenses as Adjusted by ComEd		100,807	24,697	125,504
Adjustment to 2000 Level of Expenses		(59,748)	(15,594)	(75,342)

Sources:

(1) FERC Form 1, 2000, Pages 321, 322
(2) Allowance for inflation and growth
(3) ComEd Schedules C-2.5, C-2.6, C-2.13

Schedule DJE-2.4

COMMONWEALTH EDISON COMPANY
MERGER SAVINGS
($000)

Total Positions to be Eliminated	(1)	2,900
Total Exelon Employees	(2)	33,000
Total Eliminations as Percentage of Employees		8.79%
Estimated Reduction in "Primary" Areas of Terminations	(3)	10%
Total ComEd Delivery Services Employees - 2000	(4)	7,205
ComEd Positions Eliminated		721
Total Payroll and Payroll Costs per Employee	(5)	53.256
Reduction to Payroll and Payroll Costs		(38,371)
Amortization of Costs of Achieving Savings	(6)	10,708
Net Effect of A&G Refunctionalization	(7)	175
Net Adjustment to Operation and Maintenance Expense		(27,487)

Sources:

(1)	Exelon Corp. SEC Form 8-K, Mar. 16, 2001, Page 39		
(2)	Exelon Corp. Annual Report 2000, Page 28		
(3)	Estimate of "primarily" affected, as identified in (1)		
(4)	ComEd Schedule C-8.3		
(5)	Payroll & Related Expenses	426,932	ComEd C-8
	Adjustment to P/R & Related Expense	(43,222)	DJE-4
	Adjusted P/R & Related Expense	383,710	
	Delivery Services Employees	7,205	
	P/R & Related Expense per Employee	53.256	
(6)	Total Costs of Terminations	431,000	Form 8-K, Page 39
	Allocation to ComEd Delivery Services	24.84%	Employees
	Costs Allocated to Delivery Services	107,081	
	Amortization Period	10	
	Annual Amortization	10,708	
(7)	Effect of Reducing A&G Salaries Functionalized to Delivery Services		

Schedule DJE-2.5

COMMONWEALTH EDISON COMPANY
ADJUSTMENT TO UNCOLLECTIBLE ACCOUNTS EXPENSE
($000)

Distribution O&M Expense	(1)	305,772
Customer Operations Expense Excluding Uncollectible Accounts	(2)	177,588
Administrative and General Expense	(1)	140,689
Depreciation & Amortization	(1)	284,868
Taxes Other Than Income Taxes	(1)	147,877
Income Tax Expense	(1)	106,012
Amortization of ITC's	(1)	(1,744)
Return on Rate Base	(1)	321,403
Other Revenue - Credit	(1)	(54,799)
Revenue Requirement Excluding Uncollectible Accounts		1,427,665
Uncollectible Percentage	(3)	0.71%
Uncollectible Accounts Expense		10,209
Uncollectible Accounts Expense per Company	(4)	16,300
Adjustment to Uncollectible Accounts Expense		(6,091)

Sources:
- (1) Schedule DJE-1
- (2) ComEd Cust. Ops. Expense less Uncollectible, less Adjustments
- (3) ComEd Schedule A-2.1
- (4) ComEd Schedule C-13

Exhibit GC 2.1

Schedule DJE-2.6

COMMONWEALTH EDISON COMPANY
ADJUSTMENT TO A&G EXPENSE FUNCTIONALIZATION
($000)

Total Adjusted A&G Expense	(1)	337,355
Nuclear Insurance Refund	(1)	54,000
Total Adjusted A&G Expense before Refund		391,355
Jurisdictional Allocator	(2)	35.89%
Delivery Services A&G Expense		140,474
Delivery Services A&G Expense, per ComEd	(1)	196,398
Adjustment to Delivery Services A&G Expense		(55,924)

Sources:

(1) ComEd Exhibit 4, Appendix B

(2) Schedule DJE-8

Schedule DJE-2.7

COMMONWEALTH EDISON COMPANY
INCENTIVE COMPENSATION CHARGED TO A&G EXPENSE
($000)

Incentive Compensation Included in A&G Expense

Year		Expense
1996	(1)	26,983
1997	(1)	22,214
1998	(1)	52,126
1999	(1)	42,212
2000	(1)	51,351
Total		194,886
Average for Five Years		38,977
Actual Test Year Expense	(1)	51,351
Company Adjustment to Test Year Expense	(2)	(4,857)
Adjusted Test Year Expense per Company		46,494
Adjustment to Company Expense	(3)	(7,517)
Jurisdictional Allocator	(4)	35.89%
Adjustment to Jurisdictional Expense		(2,698)

Sources:

(1) COC-1.102

(2) ComEd Exhibit 4, Appendix B

(3) Average for Five Years - Adjusted TY Expense per Company

(4) Schedule DJE-8

Exhibit GC 2.1

Schedule DJE-2.8

COMMONWEALTH EDISON COMPANY
ADJUSTMENT TO ENVIRONMENTAL REMEDIATION EXPENSE
($000)

Environmental Remediation Expense:

Year		Expense
1996	(1)	2,001
1997	(1)	3,855
1998	(1)	5,986
1999	(1)	3,822
2000	(2)	9,206
Total		24,870
Average for Five Years		4,974
Test Year Expense per Company	(2)	9,206
Adjustment to Company Expense		(4,232)
Jurisdictional Allocator	(3)	35.89%
Adjustment to Jurisdictional Expense		(1,519)

Sources:

(1) COC-1.055
(2) ComEd Schedule C-16
(3) Schedule DJE-8

COMMONWEALTH EDISON COMPANY
ANALYSIS OF REVENUE REQUIREMENT INCREASE
($Million)

Delivery Services Revenue Requirement - Docket No. 99-0117	1,211.5
Distribution O&M	208.8
Customer Accounts Expense	62.8
Rate of Return	91.9
Functionalization of General Plant and A&G Expense	105.7
Plant Additions net of ADIT and Operating Reserves	119.2
Other - Net	(12.9)
Delivery Services Revenue Requirement Proposed by ComEd	1,787.0

COMMONWEALTH EDISON COMPANY
ANALYSIS OF RATE OF RETURN INCREASE
($000)

Company Position - Present Case

	Percent	Cost Rate	Weighted Cost	Pre-Tax Cost
Long Term Debt	53.99%	7.14%	3.85%	3.85%
Common Equity	46.01%	13.25%	6.10%	10.10%
Total	100.00%		9.95%	13.95%

ICC Approved ROR - Docket No. 99-0117

	Percent	Cost Rate	Weighted Cost	Pre-Tax Cost
Transitional Funding	22.90%	5.71%	1.31%	1.31%
Long Term Debt	36.94%	8.57%	3.17%	3.17%
Preferred Stock	0.76%	13.26%	0.10%	0.17%
Common Equity	39.40%	10.80%	4.26%	7.05%
Total	100.00%		8.84%	11.70%

Income Tax Rate 39.60%

COMMONWEALTH EDISON COMPANY
ANALYSIS OF RATE OF FUNCTIONALIZATION CHANGE
($000)

Adjustment to General Plant	420,857
Adjustment to General Plant Depreciation Reserve	(114,563)
Adjustment to Net Plant	306,294
Pre-Tax Rate of Return	11.70%
Adjustment to Revenue Requirement	35,833
Adjustment to Depreciation Expense on General Plant	13,979
Adjustment to Administrative and General Expense	55,924
Increase in Rev. Req. due to Change in Functionalization	105,736

COMMONWEALTH EDISON COMPANY
EFFECT OF PLANT ADDITIONS
($000)

Net Plant, Present Case	5,175,125
Less Effect of General Plant Refunctionalization	(306,294)
Net Plant without Functionalization Change	4,868,831
Net Plant, Docket No. 99-0117	3,932,704
Increase in Net Plant	936,127
Increase in ADIT	(136,753)
Increase in Operating Reserves	(102,865)
Increase in Plant net of ADIT and Operating Reserves	696,509
Pre-Tax Rate of Return	11.70%
Increase in Revenue Requirement	81,483
Depreciation Expense, Present Case	299,127
Less Effect of General Plant Refunctionalization	(13,979)
Depreciation Expense without Functionalization Change	285,148
Depreciation Expense, Docket No. 99-0117	247,469
Increase in Depreciation Expense	37,679
Total Increase in Revenue Requirements	119,162

COMMONWEALTH EDISON COMPANY
EFFECT OF OTHER REV. REQ. CHANGES
($000)

Other Revenue	(14,530)
Transmission Expense	(20,434)
Customer Service and Info.	(7,361)
Growth in A&G	16,862
Taxes Other Than IncomeTaxes	13,009
Other Rate Base	(2,297)
Income Tax - Reconciling Items & ITC	1,842
Net Effect of Other Changes	(12,909)

ComEd Rate Base - Current Case	4,083,927
Increase in Plant net of ADIT & Reserves	696,509
Effect of Refunctionalization	306,294
Adjusted Rate Base	3,081,124
Rate Base - Docket No. 99-0117	3,100,758
Effect of Other Rate Base Changes	(19,634)
Pre-Tax Rate of Return	11.70%
Effect of Other Rate Base Changes on Return Req.	(2,297)

COMMONWEALTH EDISON COMPANY
EFFECT OF TAX RECONCILING ITEMS
($000)

	Docket 99-0117	Docket 01-0423
Revenue	1,251,742	1,841,769
Expenses Other than Income Taxes	886,601	1,267,842
Pre-Tax Operating Income	365,141	573,927
Interest	138,914	157,231
Taxable Income	226,227	416,696
Income Tax Rate	39.60%	39.60%
Income Tax Expense with no Reconciling Items	89,590	165,020
Actual Net Income Taxes	91,034	167,576
Difference	1,444	2,556
Change in Tax Expense - Reconciling Items & ITC		1,113
Revenue Requirement Effect		1,842